

## Message Text

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ORIGIN EB-11

INFO OCT-01 EUR-25 ISO-00 OPIC-12 INR-10 AID-20 CEA-02

CIAE-00 COME-00 EA-11 FRB-02 IO-14 NEA-10 NSAE-00

RSC-01 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01 SWF-02

OMB-01 INT-08 FEA-02 /144 R

DRAFTED BY EB/IFD/OIA:WHCOURTNEY

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PPC/IA:PSIMON

EUR/RPE:JTARRANT

OPIC/D:JDILL

EB/ORF/FSE:WWHITMEN

PPC/PDA:KJAY

INR/REC:DTIMMINS (INFO)

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SUBJ: DAC MEETING ON PRIVATE INVESTMENT

REF: (A) OECD 2338, PARA. 11

(B) DD-379

(C) OECD 2982

(D) STATE 14676

(E) OECD 3911, PARA. 3

1. WE CONCUR IN MEETING DATES (JUNE 18-19) AND IN YOUR  
RECOMMENDATION ON TUAC PARTICIPATION (REF C). TOPICS  
SUGGESTED IN REF. B FOR INCLUSION IN SESSION WITH TUAC

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ARE SOMEWHAT REMOTE FROM DEVELOPMENT-ORIENTED FOCUS OF

MEETING.

2. REGARDING CHAIRMAN'S SUGGESTION IN REF. A, WE WOULD LIKE TO SUGGEST SEVERAL QUESTIONS FOR DISCUSSION OF INVESTMENT AND OIL CRISIS: (WE RECOGNIZE OUR INFORMATION MAY BE PRELIMINARY JUNE.)

A) ARE OIL CRISIS AND HIGHER OIL PRICES STIMULATING SIGNIFICANT INTEREST IN NEW ENERGY INVESTMENT IN OIL DEFICIT LDCS? IS THERE A ROLE FOR MULTILATERAL INSTITUTIONS IN THE ENCOURAGEMENT OF INVESTMENT

IN UNTAPPED ENERGY RESOURCES IN SOME LDCS?

B) ARE OIL-DEFICIT LDCS BECOMING LESS ATTRACTIVE TO FOREIGN, NON-OIL INVESTORS? BECAUSE OF SCARCITY OF FERTILIZER OR

OIL INPUTS? BECAUSE OF EFFECTS OF OIL CRISIS ON AGGREGATE ECONOMIC PERFORMANCE? BECAUSE OF EFFECTS OF OIL CRISIS ON EXCHANGE RATE REALIGNMENTS AND OTHER BALANCE OF PAYMENTS ASPECTS?

C) IS CHANGE OF OWNERSHIP PATTERNS IN OPEC COUNTRIES IN RECENT MONTHS HAVING AN EFFECT ON WILLINGNESS OF FOREIGN INVESTORS TO UNDERTAKE NEW OIL INVESTMENTS IN OIL-DEFICIT LDCS? IS IT HAVING AN EFFECT ON KINDS OF ARRANGEMENTS WHICH NEW OIL INVESTORS ARE SEEKING WITH HOST GOVERNMENTS OF OIL-DEFICIT LDCS?

D) ARE LDC BALANCE-OF-PAYMENTS PROBLEMS ASSOCIATED WITH OIL CRISIS CAUSING LDC GOVERNMENTS TO PLACE NEW RULES OR GREATER EMPHASIS ON EXPORT REQUIREMENTS FOR FOREIGN INVESTORS?

3. ON A RELATED ISSUE, DD-376 (PARA. 46 (IV AND V)) NOTES THAT TWO OF THE POSITIVE FACTORS WHICH MAY STIMULATE THE FLOW OF INVESTMENT TO LDCS ARE: (A) THE GROWING CONCERN OF MANY INDUSTRIAL COUNTRIES TO DEVELOP AND SECURE ACCESS TO ESSENTIAL COMMODITIES, AND (B) THE USE BY COMMODITY PRODUCING COUNTRIES OF THEIR INCREASED LIMITED OFFICIAL USE

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BARGAINING POWER TO DEVELOP LOCAL PROCESSING OF COMMODITIES PRODUCED BY FOREIGN INVESTORS. UNDER SUITABLE AGENDA ITEM, PARTICIPANTS MIGHT DISCUSS EXTENT TO WHICH ACTUAL INVESTMENT PATTERNS REFLECT THESE MOTIVATIONS.

4. WE SEE USEFULNESS IN SWISS SUGGESTION OF STUDY ON INVESTMENT LEGISLATION IN LDCS AND ITS RELATION TO ACTUAL FLOWS. INCREASING FREQUENCY OF RESTRICTIVE

LEGISLATION MAKES SUCH STUDY ESPECIALLY TOPICAL. THREE COPIES OF RELATED INR STUDY ARE BEING POUCHED TO YOU TODAY. USING DAC PRIVATE INVESTMENT DATA FOR LDCS AT YEARENDS 1967 AND 1971, INR HAS PERFORMED ECONOMETRIC ANALYSIS ON THE FLOW OF DAC-MEMBER PRIVATE INVESTMENT TO 36 LDCS, AND HAS FOUND THAT THE NUMBER OF EXPROPRIATIONS HAD A SIGNIFICANTLY ADVERSE EFFECT ON THE GROWTH OF INVESTMENT TO A COUNTRY DURING THE PERIOD.

5. IN ADDITION TO ABOVE MENTIONED INTERRELATIONSHIPS BETWEEN INVESTMENT AND OIL CRISIS, LDCS MAY BE CHANGING INVESTMENT POLICIES BECAUSE OF OTHER INTERRELATIONSHIPS

AS WELL. A SECRETARIAT PAPER ON ALL THESE INTERRELATIONSHIPS WOULD BE HELPFUL BACKGROUND INFORMATION FOR PARTICIPANTS. RUSH

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## Message Attributes

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